

VZCZCXRO8419  
PP RUEHROV  
DE RUEHDS #2325 2390437  
ZNR UUUUU ZZH  
P 260437Z AUG 08  
FM AMEMBASSY ADDIS ABABA  
TO RUEHC/SECSTATE WASHDC PRIORITY 1792  
INFO RUCNIAD/IGAD COLLECTIVE PRIORITY  
RUEPADJ/CJTF HOA PRIORITY  
RUEAIIA/CIA WASHINGTON DC PRIORITY  
RUEKDIA/DIA WASHINGTON DC PRIORITY  
RHMFIUU/HQ USCENTCOM MACDILL AFB FL PRIORITY  
RUEKJCS/JOINT STAFF WASHINGTON DC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUEHLMC/MILLENNIUM CHALLENGE CORP  
RUEHFSC/USOFFICE FSC CHARLESTON 9951

UNCLAS ADDIS ABABA 002325

SENSITIVE  
SIPDIS

HR/OE FOR MICHELE MORRIS AND KUMIAH HARRISON  
AF/EX FOR STEVEN TOY

E.O. 12958: N/A  
TAGS: [ALOW](#) [ECON](#) [PGOV](#) [ET](#)  
SUBJECT: INFLATION REACHES 64 PERCENT

REF: ADDIS 1943

This is an action request, please see para 4.

INFLATION SPIKES...

1. (U) The Ethiopian Central Statistics Agency (CSA) released July 2007 to July 2008 inflation figures on August 15. Over the past twelve months, overall headline inflation reached 64.2 percent, food inflation skyrocketed to 91.8 percent, and inflation on cereals rose to 171.9 percent. These figures represent a stark increase over the June-to-June figures of 55.3, 78.2, and 132.5 percent figures, respectively, reported in reftel.

2. (SBU) While it has been almost a year since the rate of inflation broke into a gallop, economists expect inflation rates to continue to grow over the coming months as produce from the main harvest season is not expected to reach markets until late-November. The government started distributing subsidized wheat in Addis Ababa and other cities this month to mitigate the effects of inflation. With the government already facing peaked public scrutiny over prices, it will be under significant pressure to show a slowing of the rate of inflation in August. Economists and pundits have already begun questioning if the official CSA figures reflect the true rate of inflation. The August and September figures will, therefore, face even greater suspicion.

...AND HURTS LES COLLEAGUES

3. (U) For Embassy Addis, the greatest impact of inflation is on our locally engaged staff (LES). Increasingly LES colleagues are voicing concerns that inadequate cost of living adjustments are rendering Post's local compensation plan uncompetitive as compared to other organizations in the job market. This message is increasingly echoed by Post's first choice applicants to fill vacancies who turn down job offers due to inadequate salaries and benefit packages. This evidence suggests that the market for technical and high level administrative positions reaches beyond the U.S. Mission's local compensation plan. Even if congruent, Post's next salary survey will not be conducted until 2009, while LES food bills have doubled since July 2007.

ACTION REQUEST

4. (U) To avoid losing good LES staff members, while maintaining their purchasing power, Post strongly requests HR/OE and AF/EX to

increase the meals and miscellaneous portions of Embassy Addis's salary structure. As the meals portion, in particular, has not increased for several years, during which time food prices have more than doubled, Embassy Addis views this step as critical to maintain staff morale and retain our LES colleagues.

MALAC